

REDACTED

Rick Medlin/HQ/FOTL
Sent by Carol Holcomb

To: Andy Apaid <andy@alpha-inter.net>
cc:

02/07/2007 08:41 AM

Subject: Premium

Andy,

Russell is not willing to agree to the proposal in your January 23, 2007 e-mail. It has now been over five months since we provided notice of our intention to shift production out of your facility. Throughout that period, we have repeatedly advised you that we cannot afford to incur the substantial costs that you continue to propose. We extended our current production arrangement through January 31, 2007 in order to permit you to further consider lowering your prices and have continued to supply you with cut parts beyond that time in good faith. But we do not believe that Russell has any further obligation to Premium.

2/15/2007

However, in an effort to resolve any outstanding issues and as an additional sign of our good faith, we will provide you with one final opportunity to accept the terms set forth on the proposal attached to my January 11, 2007 e-mail, a copy of which is attached for your convenience.

Please advise me, by email, on or before the close of business on Wednesday, February 14, 2007, whether Premium accepts our final offer. If Premium does not accept our final offer or fails to respond by this deadline, Russell will cease all further shipments to Premium without further notice. We reserve all other rights available to us.

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2/15/2007

*Non-Binding Proposal
For Discussion Purposes Only*

**2007 RUSSELL CORPORATION
AND
PREMIUM APPAREL
PRODUCTION TERM SHEET**

- Volume:** 48,000 dozen per week through 2007 as per attached schedules and 2
- 2. Pricing:**
- current pricing \$0.069 per SAM through March 3
 - \$0.06 per SAM for March 31 through June 30
 - \$0.05 per SAM for June 30 through December 31
- 3. Quality**
- No container can be shipped until inspected and approved by a Russell or Fruit representative
 - Inspections will follow ANSI standards as per the attached schedule 3
 - When a shipment fails Russell/Fruit inspection, Premium will 100% reinspect
 - No shipment will be made until approved and released by Russell/Fruit in writing
 - Premium will notify Russell one week in advance of all planned shipments to allow for inspection and avoid delays
- 4. Delivery:** If Premium fails to ship at least 95% of plan for any 2 months, Russell shall be entitled to terminate the agreement upon failure to ship at least 95% in a third month. Failure to ship as a result of cut parts defects will not count toward these delivery requirements.
- 5. Audits:** Russell will audit shipments upon receipt and any shortages will be deducted from payment to Premium. If the monthly total of shortages exceeds the allowed 5%, this will count toward the 3 months referenced in #4 above.
- 6. Documentation:** This is a non-binding proposal subject to negotiation and execution of a definitive Garment Assembly Services Agreement between Russell and Premium that includes the terms set forth above ("Service Agreement"). Contemporaneous with execution of the Service Agreement, Russell and Premium will execute a separate Settlement and Release Agreement whereby Premium will release Russell and its affiliates from any and all claims relating to matters arising before the date of execution of the Service Agreement.

Sew Plan by Location 1st Half 2007

LOCATION: PREMIUM APP

WC	DESC	GRP	CUT	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26
KA2	363M	TEE	#10									24,000	24,000	24,000	24,000	24,000		24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000
KA2	29M	TEE	#10	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	24,000	24,000	24,000	24,000	24,000		24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000
TEE Total				48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000		48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000
Total DPW				48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000		48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000
Total Minutes (900)				1,487	1,487	1,487	1,487	1,487	1,487	1,487	1,487	1,486	1,486	1,486	1,486	1,486		1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486
Grand Total				48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000		48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000

Sew Plan by Location 2nd Half 2007

LOCATION: PREMIUM APP

WC	DESC	SRP	CUT	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52
KA2	363M	TEE	#10	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	
KA2	29M	TEE	#10	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	
TEE Total				48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	
Total DPW				48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	
Total Minutes (000)				1,488	1,488	1,488	1,488	1,488	1,488	1,488	1,488	1,488	1,488	1,488	1,488	1,488	1,488	1,488	1,488	1,488	1,488	1,488	1,488	1,488	1,488	1,488	1,488	1,488	
Grand Total				48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	

Quality Audits Military Standards
TABLE 1A

Updated 01-22-02

VISUAL AUDIT - FABRIC/SEWING Single Sampling Plan Normal Inspection Level II 2.5 AQL					
Lot or Batch Size		Sample Size	Accept	Reject	
2	to 8	5	0	1	
9	to 15	5	0	1	
16	to 25	5	0	1	
26	to 50	5	0	1	
51	to 90	20	1	2	
91	to 150	20	1	2	
151	to 280	32	2	3	
281	to 500	50	3	4	
501	to 1200	80	5	8	
1201	to 3200	125	7	8	
3201	to 10000	200	10	11	
10001	to 35000	315	14	15	
35001	to 150000	500	21	22	
150001	to 500000	500	21	22	
500001	and over	500	21	22	

DIMENSIONAL/SIZING AUDIT Single Sampling Plan Normal Inspection Level S2 4.0 AQL					
Lot or Batch Size		Sample Size	Accept	Reject	
2	to 8	3	0	1	
9	to 15	3	0	1	
16	to 25	3	0	1	
26	to 50	3	0	1	
51	to 90	3	0	1	
91	to 150	3	0	1	
151	to 280	13	1	2	
281	to 500	13	1	2	
501	to 1200	13	1	2	
1201	to 3200	13	1	2	
3201	to 10000	20	2	3	
10001	to 35000	20	2	3	
35001	to 150000	32	3	4	
150001	to 500000	32	3	4	
500001	and over	50	5	6	

PACKAGING/PACKING AUDIT Single Sampling Plan Normal Inspection Level II 2.5 AQL					
Lot or Batch Size		Sample Size	Accept	Reject	
2	to 8	5	0	1	
9	to 15	5	0	1	
16	to 25	5	0	1	
26	to 50	5	0	1	
51	to 90	20	1	2	
91	to 150	20	1	2	
151	to 280	32	2	3	
281	to 500	50	3	4	
501	to 1200	80	5	8	
1201	to 3200	125	7	8	
3201	to 10000	200	10	11	
10001	to 35000	315	14	15	
35001	to 150000	500	21	22	
150001	to 500000	500	21	22	
500001	and over	500	21	22	

Prepared by Karen I. Gray
01-17-02

Confidential